

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, C. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OF ARRANGEMENT
OF UNIVERSAL SETTLEMENTS INTERNATIONAL INC.**

Applicant

**MOTION RECORD
OF UNIVERSAL SETTLEMENTS INTERNATIONAL INC.**

January 6, 2011

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To: **The Attached Service List**

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

B E T W E E N :

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**AND IN THE MATTER OF A PLAN OF COMPROMISE
OF ARRANGEMENT OF UNIVERSAL SETTLEMENTS
INTERNATIONAL INC.**

Applicant

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Applicant

NOTICE OF MOTION

The Applicant, UNIVERSAL SETTLEMENTS INTERNATIONAL INC., will make a Motion to the Court on January 11, 2011 at 10:00am, or as soon thereafter as the Motion can be heard, at 361 University Avenue, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The Motion is to be heard orally.

THE MOTION IS FOR:

1. Leave to abridge the time for service of the Motion Record if necessary;
2. Directions pursuant to section 7.8 of the Plan of Compromise and Arrangement;
3. Such further and other relief as this Honourable Court shall deem just.

THE GROUNDS FOR THE MOTION ARE:

1. Section 7.8 of the Plan of Compromise and Arrangement permits Universal Settlements International Inc. to seek directions from the court;
2. The Plan of Compromise and Arrangement (the “Plan”) contemplated the continuation of an action styled as *Universal Settlements International Inc. v. James Torchia, Marc Celello and National Viaticals Inc.* (United States District Court, Western District of Michigan, Court File No. 1:07-cv-1243);
3. As a result of a judicial mediation conducted on October 26, 2010 in the United States Federal Court in Grand Rapids, Michigan, a settlement agreement has been reached in the action;
4. The litigation committee approves the settlement;
5. The terms of the settlement are subject to a confidentiality order from the U.S. Federal Court for the Western District of Michigan;
6. The confidentiality order is subject to exceptions permitting the disclose of the basic terms of the settlement generally and to present the draft settlement agreement to the court;
7. There is no express requirement in the Plan for court approval of a settlement in the action but Universal Settlements International Inc. is bringing this motion out of an abundance of caution;
8. The parties to the settlement will execute the agreement if there is no adverse order issued by this court; and

9. Such further and other grounds as counsel may advise and this honourable court may accept.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the Hearing of the Motion:

1. The Affidavit of Chris Halas sworn January 6, 2011.

January 4, 2011

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Lawyers for Universal Settlements
International Inc.

TAB 1

ONTARIO
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IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C.
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AFFIDAVIT OF CHRISTOPHER HALAS

I, CHRISTOPHER HALAS, of the City of Burlington, Province of Ontario, MAKE
OATH AND SAY AS FOLLOWS:

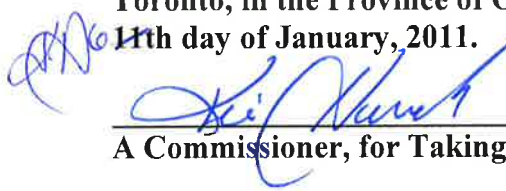
1. I am the Vice-President and Secretary of Universal Settlements International Inc. ("USI"); I have been Vice-President since January 2002 and Secretary since January 2007. I have personal knowledge of the matters to which I depose in this Affidavit. Where I do not possess personal knowledge, I have stated the sources of my information and, in all such cases, believe it to be true.
2. Universal Settlements International Inc. ("USI") is the plaintiff in an action in the United States styled as *Universal Settlements International Inc. v. James Torchia, Marc Celello and National Viatical Inc.* (United States District Court, Western District of Michigan, Court File No. 1:07-cv-1243).
3. The action was scheduled for trial in November 2010.

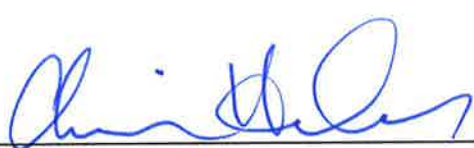
4. In an effort to reach settlement, a pre-trial judicial mediation, presided over by Federal Magistrate Judge Carmody was held on October 26, 2010 in Grand Rapids, Michigan.
5. I attended the mediation on behalf of USI, along with USI's chief financial officer, Riaz Khan, Ted Buczek, a member of the litigation committee, Robert Franzinger and Mark Vanderlaan, our United States counsel from Dykema Gossett, and additionally, our Canadian counsel, Randy Bennett.
6. The discussions regarding settlement took place over the course of the day with Judge Carmody acting as the mediator.
7. Eventually, a settlement was reached which was recommended by Judge Carmody. I concurred as did Mr. Khan, Mr. Buczek and our counsel. Mr. Lamek, the other member of the litigation committee has also been advised of the details of the settlement. I am advised by Mr. Bennett that Mr. Lamek concurs as well.
8. The terms of the settlement are subject to a confidentiality order issued by Judge Carmody but the basic terms are as follows: USI will receive a total of \$1,242,000 payable in instalments over the period from January 2011 to October 2011. In the event of a default, there are sanctions that may be imposed on the defendants Torchia and National Viatical. A copy of the final form of the draft Settlement Agreement is attached hereto in a sealed envelope as Exhibit A.
9. The U.S. court was advised that a motion for directions would be brought before the Ontario Superior Court of Justice in respect of the settlement. Subject to no adverse order being issued by the Ontario court, the settlement agreement will be executed by all parties.

10. The primary benefit of the settlement to USI and its creditors is that it provides a measure of finality to the U.S. litigation and a degree of recovery. Although USI always was of the view that it had a strong case against the defendants, the difficulties in effecting recovery of a judgment could not be ignored in the context of a settlement offer providing for recovery without additional expenditures.

11. I have sworn this affidavit in support of this motion for directions and for no other purpose.

AFFIRMED before me at the City of
Toronto, in the Province of Ontario, this
11th day of January, 2011.


A Commissioner, for Taking Affidavits, etc.

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)

) Christopher Halas

Noted by Anne Hancock, a Commissioner, etc.,
of Toronto, for Rueter Scargall Bennett LLP,
Barristers and Solicitors.
Expires August 12, 2012.

EXHIBIT “A”

**EXHIBIT "A" TO THE AFFIDAVIT OF CHRISTOPHER
HALAS, SWORN JANUARY 6TH, 2011, HAS BEEN PLACED
IN A SEALED ENVELOPE AND WILL BE PROVIDED TO
THE COURT**

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PROCEEDING COMMENCED IN TORONTO

**MOTION RECORD
(before Justice H. Wilton-Siegel returnable
January 11, 2011)**

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